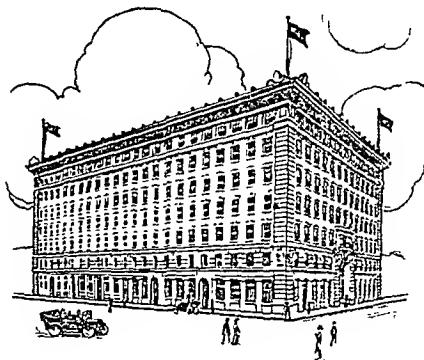


THE WINNIPEG GRAIN EXCHANGE

The Wheat Situation



ADDRESS DELIVERED BY

Dr. R. MAGILL

SECRETARY

AT A REGULAR GENERAL MEETING OF THE EXCHANGE

AUG. 20TH. 1919

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THE WHEAT SITUATION

A Regular General Meeting of the Winnipeg Grain Exchange was held in the Board Room on Wednesday, August 20, 1919, at 2 o'clock in the afternoon. Mr. John E. Botterell, Vice-President, in the Chair. The meeting was called for the purpose of hearing the report of the Secretary, Dr. R. Magill, on his trip overseas taken on the instructions of the Exchange in February last. The report was as follows:

Your instructions to your delegates were clear. There was no ambiguity about them. You wanted an open market for the coming year. By that you meant an open cash market and an open market for trading for future delivery. In that sense I understood your instructions, and it was because I understood your instructions in that sense that I was willing to go.

I was one of those who believed then (and I still believe it) that the sooner we could get back to commercial methods in handling our business, the better it would be for our country, ourselves and everybody concerned.

I went ahead, and was followed at a later date by your President, Mr. F. J. Anderson, and Mr. A. P. Stuart, of Montreal, who had the same instructions. At that time the Canadian ministers were not in London. They were at the Peace Conference in Paris. The High Commissioner for Canada and Dr. Robertson and Mr. Harris of the War Trade Mission were the only officials for Canada in London. I went to the High Commissioner. He said it was not in his hands to negotiate with the Imperial authorities. I then went to Dr. Robertson. Dr. Robertson saw me every day for about two hours a day for a considerable number of days. He discussed the whole business of handling wheat. He got our point of view as thoroughly

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as I could put it; and then he told me that if he could get the authority from the Canadian Government he would take it up with the Imperial authorities, but that his instructions limited him to last year's crop. Therefore, the first thing I set myself to do was to get authority for Dr. Robertson to take up the matter with the Imperial authorities. Then Messrs. Anderson and Stuart arrived, and the three of us went to the High Commissioner again. The three of us interviewed Dr. Robertson day after day, and we saw the War Trade Mission day after day, and we put up the same case, and we made the same request that Dr. Robertson should get authority from the Canadian Government to take up the matter of handling the new crop and formally appealed to the High Commissioner for Canada to cable to Ottawa for instructions to authorize him to take up the matter with the Imperial authorities.

Now, all this time what about the Canadian ministers? They were very busy in Paris. I had written to the Minister of Trade and Commerce, Sir George Foster, saying that I was in London, and that my colleagues were coming, and that we would like to see him about the handling of the grain crop.

He replied that he would see us, but could make no appointment then. When your President and Mr. Stuart were in London along with me, Sir Robert Borden appeared in London on his way to Canada. He gave us half an hour and the three of us put our case before him. Sir George Foster also came to London, and he gave us an interview at Claridge's Hotel and at the War Trade Mission offices. Sir George went back to Paris. His plans were to stay there while the Peace Conference was in session. At the end of our interview with him he suggested that I stay on, and that he would take it up again; and he said that it might be advisable for me to go to Paris. He went to Paris, and the next thing that happened was, cablegrams came announcing that his wife, Lady Foster, was dangerously ill. He left Paris and went to Ottawa. After that interview with him at which

Mr. Stuart of Montreal, your President and myself were present, I never saw him again. I have not seen him since, nor have I written to him or wired him. The Canadian ministers were, therefore, eliminated, but the Canadian Government instructed the High Commissioner and Dr. Robertson to take the matter up with the British authorities, and they did so. They had an interview with the Royal Wheat Commission on June 13th. I want to speak of that interview for a moment. There were present on behalf of the Government of Canada Sir George Perley and his Secretary Mr. Griffith, and Dr. Robertson, and on the other hand the Royal Wheat Commission. I was not there, as I was not asked to be there. I had no right to be there. I was not an official of the Government and did not expect to be there. That interview was on June 13th. What happened? Mr. Griffith sent me a letter stating what happened. I will read it to you. This letter contains the proposals of the Royal Wheat Commission to Sir George Perley, the High Commissioner for Canada. The letter is dated London, June 19, 1919.

"Dear Dr. Magill: Following the conference with "the Wheat Commission a letter has been received from "the Secretary stating that it is impossible at present to "outline any specific buying policy, partly owing to the "crop situation in both consuming and producing countries still being subject to large variations, and partly "because it is not yet known how far the responsibility "of the Royal Commission may extend in making purchases on behalf of the Allies. The Royal Commission, "therefore, is unable to state what proportion of the new "Dominion crop it will desire to buy, but as the Commission is alive to the fact that the Wheat Export Company "was necessarily a hindrance to the normal conduct of the "export trade during the war, and they desire to revive "the activity of commercial enterprise, they propose to "liquidate the Wheat Export Company (Winnipeg) as a "trading concern so that complete freedom may be restored to the Dominion grain trade to sell its produce in

"the simplest manner without restriction of destination
"during the ensuing year.

"It is added that the Commission, as at present advised, will probably make its purchases on an F.O.B. basis as and when stocks are wanted, and it will probably prove advisable to establish an office at the Canadian seaboard to ensure promptness in the correspondence which must take place between London and Canada. The Commission believes that an early announcement that the Wheat Export Company (Winnipeg) will cease to operate and that trade will be able to resume some normal courses, will remove the element of uncertainty which we deprecated. Yours faithfully, W. N. Griffith."

That is from the High Commissioner's office. What does it mean? It means that the Royal Wheat Commission on behalf of the British Government undertook to buy our crop from the Canadian Grain Trade at the Atlantic seaboard f.o.b. I think the reason that they wanted to buy it at the seaboard was that they are still controlling the shipping. Not only are they controlling the amount of tonnage available for grain, but they also control the unloading of it. Let me point out that if one of our Canadian exporters chartered a boat for Glasgow, and if they ordered it unloaded at Plymouth, he would be up against it. So they said in substance: "We will buy your wheat for the next twelve months at the seaboard. We will buy it in quantities as we need it. As we need it we will furnish the ships and pay for it f.o.b. We will not interfere with your selling to neutral countries—sell to them on a commercial basis." These neutral countries have their own tonnage and they are wealthy. They have money to pay for wheat without credits, and Germany is said to be buying through them. That was the proposal of the Commission—that we should sell to neutral and enemy countries direct and to the Royal Wheat Commission at the Canadian seaboard f.o.b. As to France and Italy, their view was this—they preferred that France and Italy should make their own arrangements for pur-

chasing our wheat, but they did not know whether that would be done under the Supreme Council of the Allied Governments or not.

When I got that letter I believed that our work was well done. I believed that we had an export outlet for our fifty or sixty million bushels of wheat. I believed Europe would need it. I believed that no other country would have any considerable quantity of hard spring wheat to export, and that the Canadian grain trade would have no difficulty in selling the wheat. I have this to say about it also—the Royal Wheat Commission made great concessions to us. They wanted our trade to get back to more normal conditions and to commercial methods. They met us more than half way. They gave us everything we had a right to ask for. Mr. J. Stewart has been their representative here for three or four years, and the fact that they knew he was in favor of the open market was, I am certain, one of the reasons why they made these splendid concessions to us.

What about the Canadian Government? That interview took place on June 13th. On June 18th, five days later, the Acting Minister of Trade and Commerce called a conference in Ottawa. The Government of Canada then knew of these proposals; they knew that there would be an export outlet provided. On July 7th the Government of Canada through the Acting Minister of Trade and Commerce announced that the markets would be opened. The Conference began on June 18th, and on June 21st Sir George Foster reached Ottawa. Sir George was there two weeks before the Government's policy was announced. The market was opened on the 21st July. Sir George Foster was there a month before the market was opened. It has been rumored that Sir George Foster came over to kill the market. There is not a shadow of evidence for that. In my experience I never knew a case where a very vital problem like that of the Canadian grain trade was decided by one minister. The whole Government decided to open the market, and the whole Government at a later

date decided to close the market. One man cannot be credited with opening it and one man cannot be discredited with closing it. Sir George Foster was in Ottawa a month before the market was opened. He never intimated to me that he had any hostility to the open market. He never suggested that to the delegates when we met him. I believe that when the market was opened he was as much in favor of it as any minister in Ottawa—but I don't know; I have never seen him since that interview in May, and I have never written to him or communicated with him one way or another.

After I received that letter from the High Commissioner's office, I went to a shipping office and asked about the possibility of getting back to Canada. I was told that thousands were on the waiting list and that I could not get back for two months. I took the opportunity of having an operation performed, and on recovering I went to Mr. Harris' office. He told me he had been at the conference in Ottawa, that he knew all that had gone on, and had talked with grain men, and that he came back to London believing that it was his duty to sell Canadian wheat to England and to neutral countries. Mark you, after the market had been opened, Mr. Harris, Chairman of the War Trade Mission, believed it was his duty to sell Canadian wheat to England and to neutral countries. He also told me that a cablegram had been sent by Sir Robert Borden to Mr. Arthur Sifton, telling him among other things to sell fifty to seventy-five million bushels of our wheat. That puzzled me. How could we have an open market if the Government sold 50 to 75 million bushels? I thought something was wrong. I sent the following cablegram from London on July 27, 1919, to your President, when I got all the information: "Puzzled. Harris believes "first, "authorized sell here and neutrals; second, Winnipeg trade approve; third, trade satisfied with last year's "plan including Commission forwarding seaboard; fourth, "opening market advertisement Canada has grain sell; "fifth, wanted Stewart, Lambert come here help sale.

"Borden cabled Sifton sell fifty to seventy-five million
"bushels here. Harris trying effect sale. This is incon-
"sistant with your cables. Suggest you cable Harris
"direct detail re open market, proposed sale and how pro-
"tect trade if sale affected including seaboard delivery
"and commission to Winnipeg and Montreal shippers.
"Robertson recommended conference Supreme Council.
"French want continuation last year's plan; trade here
"favoring control. Maclean at Ritz. Under these condi-
"tions find I can do little; fear trade will be injured; look-
"ing for berth back. Please cable immediately and say
"whether open market succeeding."

I am not going to advertise myself, because your President and Mr. Stuart took a great hand in it, but I say this, that if ever delegates of this Exchange got what they were sent to get, we got it.

Why was the market closed? I don't know. I want to tell you this, however: Up to the time I left, and I got my berth and left immediately, so far as I know the Royal Wheat Commission had not changed its plans. What about the British Government? I was told on the highest authority that the question of wheat for the United Kingdom was to be considered by the British Cabinet on the 5th or 6th August—that is, after the market had been closed. They never discussed it until this market was closed. I don't believe the market was closed because of credits. Neutrals need no credit, and if the British Government needs credit for buying, it needs the credit whether we sell through the trade or through a Board. I don't believe the closing of the market came from the British side. I may be wrong of course. We have speculated about the question why the market was closed. Was it the high price? Was it because cash wheat in Minneapolis was climbing up? You know how we have been teaching the people to believe that if wheat went up all other prices went up. You know that in 1913 wheat was about 80 cents, and you know that while the price of wheat was there the price of living was going up. It is a

matter of history that a falling price of wheat has been accompanied by an increase in the cost of living, and it is a matter of personal experience which each of you can verify that bread forms a trifling element in the cost of living. How much flour does any one person eat anyway? I suppose you individually spend more money on cigars than you do on bread.

Every government in the world is frightened today about the cost of living, and every government believes that it is surrounded by revolutionary influences.

They may have believed that our wheat was going to \$2.50 or \$3.00, and they may have believed that would bring the labor people and consumers in crowds to Ottawa, or worse.

You may have heard of the Liverpool riots. I came through Liverpool on Sunday. On Saturday night the crowd raided some of the best stores in Liverpool. One gang knocked in the windows of the best stores and another gang handed out the contents. They appeared to favor three classes of stores—jewelers, clothing and boots. They handed the stuff out and divided it up on the spot. I saw what I never believed I should live to see—I saw a British cruiser and a destroyer moored in the Mersey to protect the Liverpool docks and wharves, and there were said to be fifty-three steamers which could not be moved, not counting our own.

What is the situation over there? One can describe it in a few words. For a long time the people were told that they would get back from Germany and Austria a great part, if not the whole, of their war expenditure by way of indemnity, and they were told that they would get back the money which they had loaned to Russia. Now the hope of getting a large indemnity is fading, and as the British troops leave Russia and the revolutionaries win, the hope of getting back their money from Russia is also fading. Meantime the Government expenditure is enormous. First of all, Britain has a national debt today of somewhere over 8,000 million pounds sterling—an ap-

palling amount. Second, Britain still has an enormous military expenditure. The British Government increased the pay of the soldiers and sailors; they have large military forces on the Rhine; they had armies in Russia and Messopotamia; they had an expensive programme for air fleets, and their pension scheme meant an expenditure of ninety-six million pounds sterling. Third, after the war broke out the British Government adopted a policy of subsidizing, and the subsidies paid have run into enormous figures. The railways were not paying, so the Government subsidized them. The canals were not paying, so the Government subsidized them. The telephone system was not paying, so the Government subsidized it. They subsidized the farmers for growing wheat and the millers for cheap flour. They subsidized the coal miners; they subsidized the unemployed munition workers. Fourth, in addition to paying the ordinary expenditure the Government has entered upon an advanced programme of legislation which also called for considerable sums of money. The net result is that the British Government is spending about four million pounds sterling a day in comparison with less than half a million pounds a day in 1913. And the Government has now to raise each year a larger sum of money than the whole of the national debt of the United Kingdom in 1913.

What is the other side of the story? It is this in a word, that their exports are crippled. They cannot or will not get the output, and in many lines they can no longer compete in cost of production with countries like the United States and Japan. This crippling of their exports is the worst feature of the picture, and the finishing touch is this, that they have flooded the country with paper money and that the people are spending it with an extravagance not exceeded in New York or Chicago. What is the result? It is this from a financial point of view, that revolution has reached England. It is not waiting to get there; it is there, and the only question is how it will end. Men who subscribed to the war loans—manufac-

turers, merchants, etc.,—are talking about giving back their bonds as a free gift to the country. That itself is an indication of the seriousness of the financial condition. Better than that, however, is this—they are trying to revive the ancient spirit of their people. Now that they know they may get very little indemnity, and now that they know how difficult it will be to get anything from Russia, they are falling back upon the resource that promises most—they are appealing to the old dogged British spirit of sitting tight, living cheap and working hard—the spirit that has not failed them in a thousand years of history. Let us hope that they will win.

Now this general condition affects the question of the buying of wheat. They want wheat and they want it cheap. Can you blame them? There are many amongst them, especially amongst their labor people and their consumers, who believe that Government buying is cheaper than commercial buying because, as they say, it eliminates competitive buying. These demand that the Government shall continue to buy the wheat through one agent in order to keep the price of wheat down, and they are also advocating that the Allied Governments should buy their wheat through one agency in order to eliminate competition between the importing countries and thus secure their wheat at the lowest possible price. The British want to buy their wheat at a price that will enable them to sell the four-pound loaf at ninepence, because this would save them a subsidy of from 50 to 80 million pounds sterling.

I do not believe that Government buying is as cheap as commercial buying. I believe that Government buying in Britain would result in straining the relationship between Britain and Canada, and I believe that if the importing countries combined to buy wheat cheap the inevitable result would be a counter-combination between Canada and the United States to sell it as high as possible. At all events, national and inter-allied buying would be a serious matter for Canada. Further, there is a difficulty

over there just as there is one over here, because through the press we have been teaching the public wrong notions about the increased cost of living. In the main we have attributed the increased cost of living to profiteering, while the fact is that profiteering has very little to do with it. If you increase your paper money to a huge degree, and if at the same time you curtail your exports and your production of those things that people need, and if at the same time you have an extravagant public and private expenditure, the cost of living is bound to be increased even though profiteering were abolished. It is not profiteering that has increased the general price level, however it may affect some particular articles. But the public generally, and the working man in particular, have been taught differently. So now as the result we are going to see attempts made to reduce the cost of living that very largely ignore the real causes of higher prices, and we may expect attacks made upon most of our commercial methods and institutions, including, no doubt, grain exchanges and grain firms, while all the time very little attention may be paid to the real causes of the trouble.

Why did the Canadian Government close the market? All that I have seen on the matter is what has appeared in the public press and the letter from the Minister of Trade and Commerce to the President of the Exchange with which you are doubtless familiar. Perhaps some day we may know what the real reasons were. Meantime we can only speculate about it. It is a hard blow to the grain trade, all the harder because it comes under such difficult conditions. There are troubled times ahead of the grain trade. On the other hand, the Order-in-Council constituting the new Board authorizes the Board to utilize the trade during the year and to pay the trade for their services. We can only, therefore, wait and hope that the conditions will be such as to enable our members to survive for the year and look forward to the resumption of normal commercial methods next year.